

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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March 6, 2007

Mr. James Watroba, Business Agent
Painters, AFL-CIO
Local 639
8257 Dow Circle
Strongsville, OH 44136

Re: Case Number: [REDACTED]

Dear Mr. Watroba:

This office has recently completed an audit of Painters Local 639 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you and Denise Teutsch on January 17, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 639's records for the fiscal year ending March 31, 2006 revealed the following recordkeeping violations:

- No records exist for the local's shares of Key Bank common stock other than stubs for the quarterly dividend checks, which the local did not know were for stock owned by the union. The local was uncertain as to how long ago the stock was purchased or its value. As noted, the only documentation in union records was evidence of quarterly dividend checks.

As agreed, provided that Local 639 maintains adequate documentation for the stock in the future, no additional enforcement action will be taken regarding these violations.

The CAP disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 639 for fiscal year ending March 31, 2006, was deficient in the following areas:

- Local 639 failed to include disbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers), despite payments to officers for meeting attendance and travel per diem. Direct disbursements to officers for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedule 11. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11.)
- Local 639 failed to include the value of its shares of Key Bank common stock in Statement A, under Item 26(A) and (B), and in Schedule 5, Investments.

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Painters Local 639 has submitted an amended 2005 LM-2 Report correcting the errors listed above. Therefore, no further action is being considered regarding the violations at this time.

During the audit, you advised that it is Local 639's practice on some occasions for you to sign union checks and to stamp the signature of President Hank Brass on union checks. As provided in Sec. 157 and Sec. 231 of the IUPAT Constitution, and per Article VI-A of Local 639's bylaws, checks are to be signed by the local's president and the Business Manager/Secretary-Treasurer (or their representative) of District Council 6. The second signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. I recommend that Local 639 review these procedures to improve internal control of union funds.

During the audit, you also advised that the \$71,266 in fixed assets of office furniture and equipment reported in Schedule 6 and Item 27(A) and (B) referred to items that the local had depreciated and discarded many years ago, long before it moved from its offices in downtown Cleveland and began renting space from District Council 6. Inasmuch as the local no longer has any of the furniture and equipment, their value should be removed from Schedule 6 and Item 27(A) and (B), and an explanation regarding the disposition of the furniture and equipment should be given in Item 69.

I want to extend my personal appreciation to Painters Local 639 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,


Investigator

cc: Hank Brass, President